

From: Flesher, Jared [mailto:Jared.Flesher@dowjones.com]  
Sent: Friday, October 14, 2005 12:38 PM  
To: Kathi Frank  
Subject: RE: Overpaid middlemen

Ms. Frank,

Thanks for sharing your thoughts on this topic. I'll make sure the reporter who wrote the article sees your note. We appreciate your feedback and your interest in RealEstateJournal.com.

Regards,

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RealEstateJournal.com, OpinionJournal.com

-----Original Message-----

From: Kathi Frank [mailto:kathi@kathifrank.com]  
Sent: Thursday, September 29, 2005 9:28 AM  
To: rjeditor  
Subject: Overpaid middlemen

Dear Mr. Murray,

As a journalist, I am sure that you did a great deal of research before writing this article. Surely you did not simply respond to the fact that you had commissions to pay as you moved from one house to another. Surely you know about the business you are criticizing.

I would like to share some facts that may not have turned up in your research. First, successful real estate agents these days are not simply doing the job of matchmaking houses. Of course, the internet can provide that service. Instead, the profession is more akin to an attorney or even a physician. The process of transferring property has become ever more complicated with each passing year. Just as you would not want to hire an attorney or physician directly out of the university, most sophisticated buyers and sellers do not want to hire a real estate professional with little experience.

What you might want to investigate is the number of people who spend tens of thousands of dollars to become a real estate agent - only to lose money and get out of the business in less than two years. Another fact that you might want to gather is the income of real estate agents with less than ten years experience. You do realize that each agent is running a business, with business expenses. Many more data would be valuable to you if you truly wanted to report on the industry realistically.

Professional agents have spent many years with very low income to develop the skill level of earning a good living. It is no different than the 'middleman' of a grocer, clothing retailer, insurance agent or any other professional consultant. The real estate transaction is loaded with many opportunities to both make money and also to lose it. Sophisticated buyers and sellers seek out the best possible consultancy and are not afraid to compensate them for their skills.

The real issue in real estate consultancy is the LACK of agent profit. With more profit, we could educate the public about the need for representation. We could make it harder to obtain a license - even to require a tiered structure similar to becoming a partner at a law firm. With the kind of cash flow of other professions, we would be able to devise a system that recognizes those with superior skills and eliminate those that do not provide much more than a matchmaking service. Right now, the industry depends on a constant stream of new licensees coming in and out of the profession with the ups and downs of the marketplace. That is what serves your statistic about how many people have gotten licenses since the market has become hot. I do not believe that phenomena is serving the public.

Right now, the agents that are making significant income have put 10-25 years of work into building a business. They are building teams with specialists in every aspect of the profession. The overhead for these agents is tremendous. Please research the statistics of an average real estate team (an agent producer, with 2-5 assistants). They are making good income, but the cost of doing business rivals the cost of running a medical clinic.

I hope that you will learn more about the profession and see the real trends. One solution is the discount brokerages. However, the 'stats' of homes sold using those programs is dismal in most parts of the country. A better solution, one that would truly serve the public, is finding a way to eliminate all the ineffective, incompetent, inexperienced people from earning the same commissions as those who truly serve the client needs.

It is a good life!

Kathi Frank, ABR, LTG, PMN, RECS  
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